

Village of Emmett

St. Clair County, Michigan

Audited Financial Report

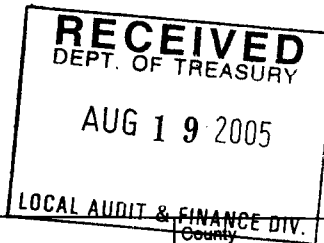
March 31, 2005

Lehn L. King

**Certified Public Accountant
Marlette, Michigan**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.



Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Emmett		County St. Clair
Audit Date 4/26/05	Opinion Date 4/26/05	Date Accountant Report Submitted to State: 5/7/05		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Lehn L. King, C.P.A.

Street Address

3531 Main Street

City

Marlette

State

MI

ZIP

48453

Accountant Signature

Date

5/7/05

Village of Emmett
Annual Financial Report
For The Fiscal Year Ended March 31, 2005

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Members of the Village Council
Village of Emmett
St. Clair County, Michigan

Independent Auditor's Report

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Emmett, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Emmett, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Emmett, Michigan as of March 31, 2005 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, I did not audit the information and express no opinion on it.

The Audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Emmett, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of April 1, 2004.

Lehn King

Lehn L. King
Certified Public Accountant

April 26, 2005

VILLAGE OF EMMETT
3119 Main Street
Emmett, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS LETTER

Our discussion and analysis of the Village of Emmett's financial performance provides an overview of the Village's financial activities for the fiscal year ended March 31, 2005. Please read it in conjunction with the Village's financial statements.

Financial Highlights

- The Park underwent improvements and renovations this past year. There was \$32,540 of playground equipment purchased for the Park.
- The Fire Fund received a Grant of \$59,180 that was used to purchase safety equipment of \$62,774.

Using this Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No.34. GASB Statement 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the Village's annual report.

The Village as a Whole

The Village of Emmett ended the fiscal year March 31, 2005, with cash balances in the following Funds:

General Fund	\$53,565
Major Streets Fund	\$78,200
Local Streets Fund	\$41,432
Fire Fund	\$34,110
Recreation Fund	\$ 6,106
Total for Village	<u>\$213,413</u>

Village of Emmett

Governmental Activities

The Village of Emmett's Revenues and Expenditures can be summarized as follows:

	<u>General Fund</u>	<u>Street Funds</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>
Fund Balance - Beginning of Year	\$ 56,783	\$ 87,642	\$ 26,218	\$ 30,066
Revenue Collected				
State Revenue / Grants	20,504	40,042	59,180	-
Property Taxes	40,701	-	-	-
Stand By Fees	-	-	93,185	-
Other	16,297	520	244	19,616
Total Revenue Collected	<u>77,502</u>	<u>40,562</u>	<u>152,609</u>	<u>19,616</u>
Expenditures				
General Government	40,215	-	-	-
Public Safety	15,339	-	59,858	-
Public Works	14,449	8,573	-	-
Recreation & Culture	-	-	-	5,034
Capital Outlay	-	-	62,774	40,541
Debt Service	7,800	-	25,000	-
Transfers	2,000	-	-	(2,000)
Total Expenditures	<u>79,803</u>	<u>8,573</u>	<u>147,632</u>	<u>43,575</u>
Fund Balance - End of Year	<u>\$ 54,482</u>	<u>\$ 119,631</u>	<u>\$ 31,195</u>	<u>\$ 6,107</u>

Economic Factors and Next Year's Budget and Rates

	<u>General Fund</u>	<u>Street Funds</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>
2005 / 2006 Budget				
Revenue	\$ 71,960	\$ 40,729	\$ 77,200	\$ 12,639
Expenditures	<u>72,828</u>	<u>9,116</u>	<u>77,050</u>	<u>13,864</u>
Net Difference	<u>\$ (868)</u>	<u>\$ 31,613</u>	<u>\$ 150</u>	<u>\$ (1,225)</u>
Fund Balance Available	<u>\$ 54,482</u>	<u>\$ 119,631</u>	<u>\$ 31,195</u>	<u>\$ 6,107</u>

The Village of Emmett's budget for next year is approximately the same budget as a year ago. Future activities of the Village seem to be consistent with past years.

Village of Emmett

Contacting the Village

This report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Village office at 3119 Main Street, Michigan.

Pat Vernier
Village of Emmett President

Village of Emmett
Statement of Net Assets (Deficit)
March 31, 2005

	<u>Primary Government Governmental Activities</u>
<u>Assets</u>	
Cash & Cash Equivalents	\$ 213,413.56
Capital Assets	
Nondepreciable Capital Assets	1.00
Net Depreciable Capital Assets	<u>531,139.00</u>
Total Assets	744,553.56
<u>Liabilities</u>	
Performance Bonds	2,000.00
Accrued Interest Payable	6,468.00
Current Portion of Long-Term Debt	20,037.00
Noncurrent Liabilities:	
Long-Term Debt	<u>197,165.00</u>
Total Liabilities	<u>225,670.00</u>
Net Assets (Deficit)	
Invested in Capital Assets - Net of Related Debt	307,470.00
Restricted:	
Reserved for Park Lights	1,100.00
Unrestricted	<u>210,313.56</u>
Total Net Assets (Deficit)	<u><u>\$ 518,883.56</u></u>

The notes are an integral part of the statements.

Village of Emmett
Statement of Activities
For the Year Ended March 31, 2005

Functions/Programs Primary Government:	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets	
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government	
					Governmental Activities	
Governmental Activities:						
General Government	\$ 42,651.05	\$ 5,349.85	\$ -	\$ -	\$ (37,301.20)	
Public Safety	97,521.40	93,185.56	-	59,180.00	54,844.16	
Public Works	25,232.90	-	40,042.59	-	14,809.69	
Recreation & Culture	6,180.37	1,800.00	-	-	(4,380.37)	
Interest on Long-Term Debt	20,575.00	-	-	-	(20,575.00)	
<u>Total Governmental Activities</u>	<u>192,160.72</u>	<u>100,335.41</u>	<u>40,042.59</u>	<u>59,180.00</u>	<u>7,397.28</u>	
Total Primary Government	\$ <u>192,160.72</u>	\$ <u>100,335.41</u>	\$ <u>40,042.59</u>	\$ <u>59,180.00</u>	\$ <u>7,397.28</u>	
General Revenues:						
Property Taxes					\$ 40,700.77	
State Shared Revenues					20,504.00	
Interest					992.75	
Other Revenues					28,532.64	
Transfers					-	
Total General Revenues, Special Items & Transfers					<u>90,730.16</u>	
Change in Net Assets						
Net Assets (Deficit) - Beginning of Year					98,127.44	
Net Assets (Deficit) - End of Year					<u>420,756.12</u>	
					\$ <u>518,883.56</u>	

The notes are an integral part of the statements.

Village of Emmett
Balance Sheet
Governmental Funds
March 31, 2005

<u>Assets</u>	<u>General Fund</u>	<u>Major Streets Fund</u>	<u>Local Streets Fund</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>	<u>Total Governmental Funds</u>
Cash & Cash Equivalents	\$ 53,565.44	\$ 78,200.20	\$ 41,431.91	\$ 34,110.13	\$ 6,105.88	\$ 213,413.56
Due From Other Funds	2,915.03	-	-	-	-	2,915.03
<u>Total Assets</u>	<u>\$ 56,480.47</u>	<u>\$ 78,200.20</u>	<u>\$ 41,431.91</u>	<u>\$ 34,110.13</u>	<u>\$ 6,105.88</u>	<u>\$ 216,328.59</u>
<u>Liabilities & Fund Equity</u>						
<u>Liabilities</u>						
Performance Bond	\$ 2,000.00	\$ -	\$ -	\$ -	\$ -	\$ 2,000.00
Due To Other Funds	-	-	-	2,915.03	-	2,915.03
<u>Total Liabilities</u>	<u>2,000.00</u>	<u>-</u>	<u>-</u>	<u>2,915.03</u>	<u>-</u>	<u>4,915.03</u>
<u>Fund Equity</u>						
Fund Balances:						
Reserved for Park Lights	-	-	-	-	1,100.00	1,100.00
Unreserved - Undesignated	54,480.47	78,200.20	41,431.91	31,195.10	5,005.88	210,313.56
<u>Total Fund Equity</u>	<u>54,480.47</u>	<u>78,200.20</u>	<u>41,431.91</u>	<u>31,195.10</u>	<u>6,105.88</u>	<u>211,413.56</u>
<u>Total Liab. & Fund Equity</u>	<u>\$ 56,480.47</u>	<u>\$ 78,200.20</u>	<u>\$ 41,431.91</u>	<u>\$ 34,110.13</u>	<u>\$ 6,105.88</u>	<u>\$ 216,328.59</u>

The notes are an integral part of the statements.

Village of Emmett
Governmental Funds
Reconciliation of Fund Balances to the
Statement of Net Assets (Deficit)
For The Year Ended March 31, 2005

Total Fund Balances for Governmental Funds & Equipment Fund	\$ 211,413.56
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Amounts reported for governmental activities in the statement of
net assets (deficit) are different because:

Capital Assets used in Governmental Activities are not financial resources and are not reported in the Funds	531,140.00
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Long-term bonds payable are not due and payable in the current period and are not reported in the Funds	(217,202.00)
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Accrued Interest Payable is not reported in the Funds	<u>(6,468.00)</u>
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Net Assets of Governmental Activities	<u><u>\$ 518,883.56</u></u>
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The notes are an integral part of the statements.

Village of Emmett

Statement of Revenues, Expenditures And Changes in Fund Balances Governmental Fund

For The Year Ended March 31, 2005

	General Fund	Major Streets Fund	Local Streets Fund	Fire Fund	Recreation Fund	Totals Governmental Funds
Revenues						
Property Taxes & ACT 51 Revenue	\$ 39,793.91	\$ 30,498.79	\$ 9,543.80	\$ -	\$ 906.86	\$ 80,743.36
State Shared Revenue	20,504.00	-	-	-	-	20,504.00
Fire Contract	-	-	-	93,185.56	-	93,185.56
Sale of Fixed Assets	8,300.00	-	-	-	8,000.00	16,300.00
Interest Earnings	300.38	389.95	129.20	139.50	33.72	992.75
Miscellaneous Revenues						
Licenses, Permits & Fees	549.85	-	-	-	1,800.00	2,349.85
Donations	-	-	-	-	8,875.00	8,875.00
Rent	4,800.00	-	-	-	-	4,800.00
Grant Proceeds	-	-	-	59,180.00	-	59,180.00
Miscellaneous	3,253.64	-	-	104.00	-	3,357.64
Total Miscellaneous Revenues	8,603.49	-	-	59,284.00	10,675.00	78,562.49
Total Revenues	77,501.78	30,888.74	9,673.00	152,609.06	19,615.58	290,288.16
Expenditures						
General Government	40,215.05	-	-	-	-	40,215.05
Public Safety	15,339.93	-	-	59,858.47	-	75,198.40
Public Works	14,449.49	-	-	-	-	14,449.49
Highways, Streets, & Bridges	-	3,801.72	4,771.69	-	-	8,573.41
Recreation & Culture	-	-	-	-	5,034.37	5,034.37
Capital Outlay	-	-	-	62,774.00	40,541.00	103,315.00
Debt Service :						
Principal	2,642.00	-	-	16,051.00	-	18,693.00
Interest	5,158.00	-	-	8,949.00	-	14,107.00
Total Expenditures	77,804.47	3,801.72	4,771.69	147,632.47	45,575.37	279,585.72
Excess of Revenues Over (Under) Expenditures	(302.69)	27,087.02	4,901.31	4,976.59	(25,959.79)	10,702.44
Operating Transfers In (Out)	(2,000.00)	(7,624.70)	7,624.70	-	2,000.00	0.00
Net Changes in Fund Balances	(2,302.69)	19,462.32	12,526.01	4,976.59	(23,959.79)	10,702.44
Fund Balances - Beginning of Year	56,783.16	58,737.88	28,905.90	26,218.51	30,065.67	200,711.12
Fund Balances - End of Year	\$ 54,480.47	\$ 78,200.20	\$ 41,431.91	\$ 31,195.10	\$ 6,105.88	\$ 211,413.56

The notes are an integral part of the statements.

Village of Emmett
Governmental Funds
Reconciliation of Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For The Year Ended March 31, 2005

Net Change in Fund Balances - Total Governmental Funds **\$ 10,702.44**

Amounts reported for Governmental Activities in the Statement of
Activities are different because:

Governmental Funds report Capital Outlays as Expenditures;
in the Statement of Activities, these costs are capitalized and
allocated over their estimated useful lives as Depreciation 103,315.00

Repayment of Bond Principal is an Expenditure in the Governmental
Funds, but not in the Statement of Activities (where it
reduces Long-Term Debt) 18,693.00

Interest Expense is reported in the Statement of Activities
when a Liability is incurred; they are reported in the
Governmental Funds only when payment is due (6,468.00)

Depreciation is an Expenditures for the Statement of
Activities, but is not reported in the Governmental Funds (28,115.00)

Net Assets of Governmental Activities **\$ 98,127.44**

The notes are an integral part of the statements.

Village of Emmett
Notes to the Financial Statements
For The Year Ended March 31, 2005

The accounting methods and procedures adopted by the Village of Emmett, St. Clair County, Michigan, conform to Generally Accepted Accounting Principles as applied to governmental entities. The following notes to the financial statements are an integral part of the Village's Comprehensive Annual Financial Report.

1. Summary of Significant Accounting Policies

Financial Reporting Entity

The Village of Emmett was incorporated under the laws of the State of Michigan in 1850. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Village (the primary government).

Government-wide and Fund Statements Fund

The Government-wide Financial Statements (i.e., the Statement of Net Assets (Deficit) and the Statement of Activities) report information on all the nonfiduciary activities of the Village (the primary government). The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Village reports the following major governmental funds:

General Fund - The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Streets Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the Village. Funding is provided primarily through State-shared gas and weight taxes.

Local Streets Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the Village. Funding is provided primarily through State-shared gas and weight taxes.

Fire Fund - The Fire Fund's purpose is to provide emergency response to the locally contracted areas. Funding is provided primarily from the contracts with the local areas including Kenockee Township, Wales Township, Riley Township, Emmett Township, and the Village of Emmett.

Recreation Fund - The fund is for the development and maintenance of the Village Park. Funding is provided primarily from donations, usage fees, and county taxes.

Village of Emmett
Notes to the Financial Statements
For The Year Ended March 31, 2005

Measurement Focus and Basis of Accounting

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenues, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the Village. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and claims and judgments are recorded only when payment is due.

Cash - The Village does not pool cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the Village's investments.

Investments - Debt securities are valued at cost since it is generally the policy of the Village to hold such investments until they mature.

Due to and Due from Other Funds - Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Property Tax Revenues - Property taxes are levied on December 1 based on the assessed value of property as listed on the previous December 31. Assessed values are an approximation of market value. A revaluation of all real property must be made every year.

Vacation, Sick Leave, & Other Compensated Absences - The Village does not have any contracts or agreements with its employees or elected officials which require the payment of compensation during absence from duty nor do any such benefits vest to the right of the employee or elected official.

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both Government-wide and Fund Financial Statements.

Capital Assets - Capital assets, which include buildings and equipment, are reported in the applicable governmental column in the Government-wide Financial Statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Village of Emmett
Notes to the Financial Statements
For The Year Ended March 31, 2005

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	25 years
Buildings & Building Improvements	20 to 39 years
Machinery & Equipment	3 to 20 years

Long-Term Obligations - In the Government-wide Financial Statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting Changes

GASB Statement No. 34 – Effective April 1, 2004, the Village implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34). Changes to the Village's financial statements as a result of GASB No. 34 are as follows:

- A management's discussion and analysis (MD&A) section providing analysis of the Village's overall financial position and results of operations has been included.
- Government-wide Financial Statements (statement of net assets (deficit) and statement of activities) prepared using full accrual accounting for all of the Village's activities have been provided.
- Capital assets in the governmental activities column of the statement of net assets (deficit) includes assets not previously accounted for by the Village as well as assets previously reported in the General Fixed Assets Account Group. In addition, the governmental activities column includes bonds and other long-term obligations previously reported in the General Long-term Debt Account Group.
- The fund financial statements focus on major funds rather than fund types.

Village of Emmett
Notes to the Financial Statements
For The Year Ended March 31, 2005

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Village is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds, Debt Service Funds, Capital Project Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

In the body of the financial statements, the Village actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The budget is used by the Village Council as a management tool during the year for all budgetary funds. The budgets are adopted on a cash basis, which is not consistent with generally accepted accounting principles. Budgetary control is exercised at the departmental level. Budgets for the General Fund and the Major Special Revenue Funds are presented in the required supplemental information.

Village of Emmett
Notes to the Financial Statements
For The Year Ended March 31, 2005

During the year ended March 31, 2005, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated, as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
General Fund			
Salaries & Payroll Taxes	\$ 23,893	\$ 27,374	\$ 3,481
General Administration	3,804	4,297	493
Professional Fees	2,724	3,168	444
Planning & Zoning	4,756	7,061	2,305
Department of Public Works	5,700	5,862	162
Major Streets Fund			
Wages & Payroll Taxes	602	1,053	451
Winter Maintenance	420	436	16
Miscellaneous	0	584	584
Transfer to Local Streets Fund	0	7,625	7,625
Local Streets Fund			
Wages & Payroll Taxes	605	829	224
Miscellaneous	606	701	95
Fire Fund			
Fire Wages	18,675	19,999	1,324
Utilities	3,845	4,533	688
Classes & Training	1,035	1,125	90
Administration	100	185	85
Rent	0	4,800	4,800
Debt Service - Principal	0	16,051	16,051
Debt Service - Interest	0	8,949	8,949
Capital Outlay	0	62,774	62,774
Recreation Fund			
Insurance	698	778	80
Supplies	273	380	107

3. Cash and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Local Unit to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Village of Emmett
Notes to the Financial Statements
For The Year Ended March 31, 2005

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
Cash & Cash Equivalents	\$ 213,414	\$ 213,414

The Village's deposits are in accordance with statutory authority. As of March 31, 2005 the balance sheet carrying amount of cash deposits was \$213,414. The bank balance as of March 31, 2005 was \$213,414, of which \$100,000 was covered by FDIC insurance.

All cash deposits and investments of the Village are held by the Village in the Village's name.

The GASB Statement 3 risk disclosures for the Local Unit's investments are as follows:

Investment Type	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Risk Categorized		NONE			
Operating Funds					
US Treasury Bonds					
Investment in Deferred					
Compensation Plans					
Total Risk-Categorized					
Investments					

The cash and investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

Category 1	Insured or registered, or securities held by the Village or its agent in the Village's name.
Category 2	Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.
Category 3	Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village's name.

Village of Emmett
Notes to the Financial Statements
For The Year Ended March 31, 2005

4. Capital Assets

Capital Assets activity of the Village's governmental activities (and business-type) was as follows:

	Balance April 1, 2004	Additions	Disposals & Adjustments	Balance March 31, 2005
Governmental Activities:				
Capital Assets not being Depreciated - Land	\$ 1	\$ 0	\$ 0	\$ 1
Capital Assets Being Depreciated:				
Infrastructure	61,913	32,541	0	94,454
Buildings & Building Improvements	95,000	0	0	95,000
Machinery & Equipment	435,000	62,774	0	497,774
Total Capital Assets being Depreciated	591,913	95,315	0	687,228
Accumulated Depreciation:				
Infrastructure	4,721	3,356	0	8,077
Buildings & Building Improvements	3,653	2,436	0	6,089
Machinery & Equipment	119,600	22,323	0	141,923
Total Accumulated Depreciation	127,974	28,115	0	156,089
Net Capital Assets	\$ 463,939	\$ 67,200	\$ 0	\$ 531,139

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 2,436
Public Safety	22,323
Public Works	2,210
Recreation & Culture	1,146
Total Governmental Activities	<u>\$ 28,115</u>

5. Interfund Receivables, Payables, & Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds" on the balance sheet. The amounts of interfund receivables and payables are as follows:

	Due From Other Funds		Due To Other Funds
General Fund	\$ 2,915	Fire Fund	\$ 2,915
Total	<u>\$ 2,915</u>		<u>\$ 2,915</u>

Interfund Transfers reported in the Fund Statements are as follows:

	Transferred From		Transferred To
Major Street Fund	\$ 7,625	Local Street Fund	\$ 7,625
General Fund	2,000	Recreation Fund	2,000
Total	<u>\$ 9,625</u>		<u>\$ 9,625</u>

Village of Emmett
Notes to the Financial Statements
For The Year Ended March 31, 2005

6. Long-Term Debt

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
General Obligation Bonds & Contracts						
May 7, 2001 Note Payable Capac State Bank Due Annually in installments of \$25,000 Amount of issue - \$175,000, Secured by Fire Truck Maturing through May 5, 2011	6.03%	\$25,000	\$ 144,976	\$ (16,051)	\$ 128,925	\$ 17,238
July 9, 2002 Land Contract purchase of Village Hall Due Monthly in installments of \$650.00 Amount of issue - \$95,000 Maturing through July 2023	5.75%	\$650	\$ 90,919	\$ (2,642)	\$ 88,277	\$ 2,799
Total Governmental Activities			<u>\$ 235,895</u>	<u>\$ (18,693)</u>	<u>\$ 217,202</u>	<u>\$ 20,037</u>

Annual debt service requirements to maturity for the above governmental bond and contract obligations are as follows:

Years Ending June 30	Governmental Activities		
	Principal	Interest	Total
2006	\$ 20,037	\$ 12,765	\$ 32,802
2007	21,242	11,560	32,802
2008	22,519	10,283	32,802
2009	23,872	8,928	32,800
2010-2014	73,286	24,817	98,103
2015-2019	26,386	12,622	39,008
2020-2024	29,860	3,946	33,806
Total	<u>\$ 217,202</u>	<u>\$ 84,921</u>	<u>\$ 302,123</u>

7. Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical and workman's compensation benefits provided to employees. The Village has purchased commercial insurance for the various risks of loss stated above.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage's obtained through commercial insurance during the past year.

Required Supplemental Information

Village of Emmett
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
<u>Taxes</u>				
Current Property Tax	\$ 38,000.00	\$ 39,806.00	\$ 39,793.91	\$ (12.09)
<u>State Shared Revenue</u>	22,500.00	17,258.00	20,504.00	3,246.00
<u>Licenses, Permits & Fees</u>				
Zoning & Land Splits	600.00	500.00	535.00	35.00
Fines & Forfeitures	-	-	14.85	14.85
<u>Total Licenses, Permits, & Fees</u>	600.00	500.00	549.85	49.85
<u>Miscellaneous Revenue</u>				
Refunds & Reimbursements	11,000.00	11,057.00	3,233.64	(7,823.36)
Rent	13,000.00	4,800.00	4,800.00	-
Sale of Fixed Assets	-	8,300.00	8,300.00	-
Other Revenue	100.00	4,520.00	20.00	(4,500.00)
<u>Total Miscellaneous Revenues</u>	24,100.00	28,677.00	16,353.64	(12,323.36)
<u>Interest Earnings</u>	170.00	159.00	300.38	141.38
<u>Total Revenues</u>	\$ 85,370.00	\$ 86,400.00	\$ 77,501.78	\$ (8,898.22)

Village of Emmett
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For The Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Expenditures</u>				
<u>General Government</u>				
Salaries & Payroll Taxes	\$ 21,500.00	\$ 23,893.00	\$ 27,374.05	\$ (3,481.05)
General Administration	6,150.00	3,804.00	4,296.69	(492.69)
Professional Fees	3,700.00	2,724.00	3,167.50	(443.50)
Insurance	4,000.00	5,497.00	5,376.81	120.19
<u>Total General Government</u>	<u>35,350.00</u>	<u>35,918.00</u>	<u>40,215.05</u>	<u>(4,297.05)</u>
<u>Public Safety</u>				
Fire Contract	8,300.00	8,279.00	8,278.91	0.09
Planning & Zoning	5,500.00	4,756.00	7,061.02	(2,305.02)
<u>Total Public Safety</u>	<u>13,800.00</u>	<u>13,035.00</u>	<u>15,339.93</u>	<u>(2,304.93)</u>
<u>Public Works</u>				
Department of Public Works	7,500.00	5,700.00	5,861.25	(161.25)
Street Lighting	7,278.00	8,840.00	8,588.24	251.76
<u>Total Public Works</u>	<u>14,778.00</u>	<u>14,540.00</u>	<u>14,449.49</u>	<u>90.51</u>
Debt Service - Principal	2,642.00	2,642.00	2,642.00	-
Debt Service - Interest	5,158.00	5,158.00	5,158.00	-
Capital Outlay	90,743.00	88,000.00	-	88,000.00
<u>Total Expenditures</u>	<u>162,471.00</u>	<u>159,293.00</u>	<u>77,804.47</u>	<u>81,488.53</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	(77,101.00)	(72,893.00)	(302.69)	72,590.31
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	(2,000.00)	2,000.00
<u>Excess of Revenues & Other Sources Over (Under) Expenditures & Other Uses</u>	(77,101.00)	(72,893.00)	(2,302.69)	70,590.31
<u>Fund Balance - Beginning of Year</u>	56,783.16	56,783.16	56,783.16	-
<u>Fund Balance - End of Year</u>	<u>\$ (20,317.84)</u>	<u>\$ (16,109.84)</u>	<u>\$ 54,480.47</u>	<u>\$ 70,590.31</u>

Village of Emmett
Required Supplemental Information
Budgetary Comparison Schedule
Major Streets Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
State Shared Rev. - Gas & Wt. Tax	\$ 21,000.00	\$ 22,535.00	\$ 30,498.79	\$ 7,963.79
Interest Income	250.00	362.00	389.95	27.95
<u>Total Revenues</u>	<u>21,250.00</u>	<u>22,897.00</u>	<u>30,888.74</u>	<u>7,991.74</u>
<u>Expenditures</u>				
Wages & Payroll Taxes	685.00	602.00	1,052.72	(450.72)
Routine Maintenance	1,800.00	2,179.00	1,729.28	449.72
Winter Maintenance	200.00	420.00	436.12	(16.12)
Miscellaneous	300.00	-	583.60	(583.60)
<u>Total Expenditures</u>	<u>2,985.00</u>	<u>3,201.00</u>	<u>3,801.72</u>	<u>(600.72)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	18,265.00	19,696.00	27,087.02	7,391.02
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	(7,624.70)	(7,624.70)
<u>Net Change in Fund Balance</u>	18,265.00	19,696.00	19,462.32	(233.68)
<u>Fund Balance - Beginning of Year</u>	58,737.88	58,737.88	58,737.88	-
<u>Fund Balance - End of Year</u>	<u>\$ 77,002.88</u>	<u>\$ 78,433.88</u>	<u>\$ 78,200.20</u>	<u>\$ (233.68)</u>

Village of Emmett
Required Supplemental Information
Budgetary Comparison Schedule
Local Streets Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
State Shared Rev. - Gas & Wt. Tax	\$ 16,500.00	\$ 16,699.00	\$ 9,543.80	\$ (7,155.20)
Interest Income	125.00	129.00	129.20	0.20
<u>Total Revenues</u>	<u>16,625.00</u>	<u>16,828.00</u>	<u>9,673.00</u>	<u>(7,155.00)</u>
<u>Expenditures</u>				
Wages & Payroll Taxes	625.00	605.00	829.37	(224.37)
Routine Maintenance	2,000.00	2,957.00	2,957.28	(0.28)
Winter Maintenance	-	680.00	283.62	396.38
Miscellaneous	-	606.00	701.42	(95.42)
<u>Total Expenditures</u>	<u>2,625.00</u>	<u>4,848.00</u>	<u>4,771.69</u>	<u>76.31</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>14,000.00</u>	<u>11,980.00</u>	<u>4,901.31</u>	<u>(7,078.69)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	7,624.70	7,624.70
<u>Net Change in Fund Balance</u>	<u>14,000.00</u>	<u>11,980.00</u>	<u>12,526.01</u>	<u>546.01</u>
<u>Fund Balance - Beginning of Year</u>	<u>28,905.90</u>	<u>28,905.90</u>	<u>28,905.90</u>	<u>-</u>
<u>Fund Balance - End of Year</u>	<u>\$ 42,905.90</u>	<u>\$ 40,885.90</u>	<u>\$ 41,431.91</u>	<u>\$ 546.01</u>

Village of Emmett
Required Supplemental Information
Budgetary Comparison Schedule
Fire Fund
For The Year Ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
<u>Revenues</u>				
Fire Contract	\$ 67,000.00	\$ 67,000.00	\$ 93,185.56	\$ 26,185.56
Grant Proceeds	-	-	59,180.00	59,180.00
Reimbursements & Refunds	100.00	2,681.00	104.00	(2,577.00)
Interest Earnings	50.00	46.00	139.50	93.50
<u>Total Revenues</u>	<u>67,150.00</u>	<u>69,727.00</u>	<u>152,609.06</u>	<u>82,882.06</u>
<u>Expenditures</u>				
Fire Wages	22,000.00	18,675.00	19,998.65	(1,323.65)
Payroll Taxes	3,000.00	2,677.00	1,338.64	1,338.36
Gas & Operating Supplies	22,000.00	27,447.00	12,298.15	15,148.85
Insurance	14,500.00	15,580.00	15,580.04	(0.04)
Utilities	3,900.00	3,845.00	4,532.56	(687.56)
Classes & Training	3,750.00	1,035.00	1,125.00	(90.00)
Administration	50.00	100.00	185.43	(85.43)
Rent	-	-	4,800.00	(4,800.00)
Miscellaneous	-	-	-	-
Debt Service - Principal	-	-	16,051.00	(16,051.00)
Debt Service - Interest	-	-	8,949.00	(8,949.00)
Capital Outlay	-	-	62,774.00	(62,774.00)
<u>Total Expenditures</u>	<u>69,200.00</u>	<u>69,359.00</u>	<u>147,632.47</u>	<u>(78,273.47)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(2,050.00)</u>	<u>368.00</u>	<u>4,976.59</u>	<u>4,608.59</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	-	-
<u>Net Change in Fund Balances</u>	<u>(2,050.00)</u>	<u>368.00</u>	<u>4,976.59</u>	<u>4,608.59</u>
<u>Fund Balances - Beginning of Year</u>	<u>26,218.51</u>	<u>26,218.51</u>	<u>26,218.51</u>	<u>-</u>
<u>Fund Balances - End of Year</u>	<u>\$ 24,168.51</u>	<u>\$ 26,586.51</u>	<u>\$ 31,195.10</u>	<u>\$ 4,608.59</u>

Village of Emmett
Required Supplemental Information
Budgetary Comparison Schedule
Recreation Fund
For The Year Ended March 31, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenues</u>				
Donations	\$ 14,000.00	\$ 12,675.00	\$ 8,875.00	\$ (3,800.00)
County Taxes	907.00	907.00	906.86	(0.14)
League Fees	-	-	1,800.00	1,800.00
Sale of Fixed Assets	8,000.00	8,000.00	8,000.00	-
Interest Earnings	78.00	34.00	33.72	(0.28)
Other Revenues	-	-	-	-
<u>Total Revenues</u>	<u>22,985.00</u>	<u>21,616.00</u>	<u>19,615.58</u>	<u>(2,000.42)</u>
<u>Expenditures</u>				
Wages	1,600.00	1,865.00	1,823.15	41.85
Payroll Taxes	300.00	203.00	131.28	71.72
Park Grounds	36,000.00	1,923.00	1,922.77	0.23
Insurance	590.00	698.00	777.60	(79.60)
Supplies	200.00	273.00	379.57	(106.57)
Capital Outlay	8,000.00	40,648.00	40,541.00	107.00
<u>Total Expenditures</u>	<u>46,690.00</u>	<u>45,610.00</u>	<u>45,575.37</u>	<u>34.63</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(23,705.00)</u>	<u>(23,994.00)</u>	<u>(25,959.79)</u>	<u>(1,965.79)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In (Out)	-	-	2,000.00	2,000.00
<u>Net Change in Fund Balances</u>	<u>(23,705.00)</u>	<u>(23,994.00)</u>	<u>(23,959.79)</u>	<u>34.21</u>
<u>Fund Balances - Beginning of Year</u>	<u>30,065.67</u>	<u>30,065.67</u>	<u>30,065.67</u>	<u>-</u>
<u>Fund Balances - End of Year</u>	<u>\$ 6,360.67</u>	<u>\$ 6,071.67</u>	<u>\$ 6,105.88</u>	<u>\$ 34.21</u>

Other Supplemental Information

Village of Emmett
Other Supplemental Information
Schedule of Indebtedness
March 31, 2005

Note Payable for Purchase of Fire Truck
Interest Payable May 7

Dated May 7, 2001
Original Issue \$175,000

Interest Rate	Date of Maturity	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2005	2004	
6.03%	5/7/2004	\$ 0	\$ 16,051	\$ 8,949
6.03%	5/7/2005	17,238	17,238	7,762
6.03%	5/7/2006	18,278	18,278	6,722
6.03%	5/7/2007	19,380	19,380	5,620
6.03%	5/7/2008	20,548	20,548	4,451
6.03%	5/7/2009	21,788	21,788	3,212
6.03%	5/7/2010	23,101	23,101	1,899
6.03%	5/7/2011	8,592	8,592	506
Total Notes Payable		\$ 128,925	\$ 144,976	\$ 39,121

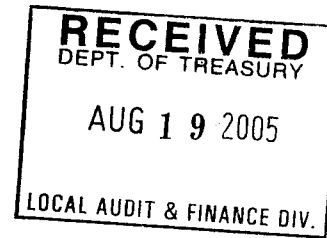
Land Contract to Purchase Village Hall
Payable to Dan & Deb Greenia

Dated July 9, 2002
Original Issue \$95,000

Payment of \$650 due on the 9th of each month

Interest Rate	Contract Due For The Year Ending	Principal Outstanding March 31,		Remaining Annual Interest Payable
		2005	2004	
5.75%	2005	\$ 0	\$ 2,642	\$ 5,159
5.75%	2006	2,799	2,799	5,003
5.75%	2007	2,964	2,964	4,838
5.75%	2008	3,139	3,139	4,663
5.75%	2009	3,324	3,324	4,477
5.75%	2010	3,520	3,520	4,281
5.75%	2011	3,728	3,728	4,073
5.75%	2012	3,948	3,948	3,853
5.75%	2013	4,181	4,181	3,620
5.75%	2014	4,428	4,428	3,373
5.75%	2015	4,690	4,690	3,112
5.75%	2016	4,967	4,967	2,835
5.75%	2017	5,260	5,260	2,542
5.75%	2018	5,570	5,570	2,231
5.75%	2019	5,899	5,899	1,902
5.75%	2020	6,247	6,247	1,554
5.75%	2021	6,616	6,616	1,185
5.75%	2022	7,007	7,007	795
5.75%	2023	7,421	7,421	381
5.75%	2024	2,569	2,569	31
Total Installment Purchase Contract Payable		\$ 88,277	\$ 90,919	\$ 59,908
Total General Obligation Notes & Contracts		\$ 217,202	\$ 235,895	\$ 99,029

Phone 989-635-3113
Fax 989-635-5580



April 26, 2005

**Members of the Village Council
Village of Emmett**

Council Members:

In accordance with your request, I have made an examination of the financial statements of the Village of Emmett for the fiscal year ended, March 31, 2005. During the course of my examination, no material items came to my attention.

1. In the motion to accept the Minutes of a prior meeting, the date of the meeting should be noted in the motion.
2. All paid bills must be approved in the minutes. Authorization to pay bills stems from Council approval. Thus, one should be able to trace paid bills to the minutes. To do this, identification of the actual bills to be paid must be part of the minutes. The motion to pay bills must identify the specific bills that are to be paid.
3. An annual salary schedule needs to be made for all employees of the Village. This schedule needs to be approved by the Village Council.
4. All money received by the Village needs to be receipted for purposes of internal control. Any remittance advice received with income should be attached to the receipt. These receipts should be pre-numbered and used in numerical order. The receipt number should be recorded when posting the receipt in the journals in order to be able to trace it to the General Ledger.
5. Per P.A. 621 of 1968, the Council does not have authorization to spend monies that would exceed the current budget. The budget must be amended prior to the expenditure exceeding the budgeted item.

From an overall viewpoint, the Village of Emmett is in good financial condition. The financial records maintained by the administrative clerk and treasurer are in good order.

I thank the Village officials and employees for the cooperation I received in the completion of this examination.

Sincerely,

Lehn King

Lehn L. King
Certified Public Accountant